



MARITIME RESOURCES

MARITIME RESOURCES CORP.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Maritime Resources Corp.

Opinion

We have audited the accompanying financial statements of Maritime Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 26, 2019

STATEMENTS OF FINANCIAL POSITION

| As at (in Canadian dollars) | Note | December 31 2018 \$ | December 31 2017 \$ |
|---|------|---------------------------|---------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | 2,359,066 | 387,117 |
| Receivables | 8 | 40,953 | 35,789 |
| Prepaid expenses | | 46,159 | 45,548 |
| | | 2,446,178 | 468,454 |
| Exploration and evaluation assets | 4 | 7,740,844 | 6,469,604 |
| Total Assets | | 10,187,022 | 6,938,058 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5,8 | 121,441 | 150,442 |
| Loans | 6,8 | - | 442,640 |
| Flow-through premium liability | 7 | 128,738 | 63,982 |
| Total Liabilities | | 250,179 | 657,064 |
| Shareholders' equity | | | |
| Share capital | 7 | 15,063,535 | 10,202,819 |
| Share subscriptions receivable | 7 | - | (100,000) |
| Subscriptions received in advance | 7 | - | 96,920 |
| Treasury shares | 7 | - | (245,000) |
| Reserves | 7 | 2,278,901 | 1,222,944 |
| Royalty reserve | 7 | 210,700 | 210,700 |
| Deficit | | (7,616,293) | (5,107,389) |
| Total Shareholders' Equity | | 9,936,843 | 6,280,994 |
| Total Liabilities and Shareholders' Equity | | 10,187,022 | 6,938,058 |

Nature of operations and going concern (Note 1) and Subsequent events (Note 12).

Approved and authorized on behalf of the Board of Directors:

"John P. Hayes"
Chairman

"Mark N.J. Ashcroft"
Director

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| For the years ended December 31 | | 2018 | 2017 |
|---|-------------|--------------------|-------------|
| (in Canadian dollars) | Note | \$ | \$ |
| EXPENSES | | | |
| Administration | 8 | 351,465 | 344,159 |
| Consulting | 8 | 449,270 | 429,079 |
| Director' fees | 8 | 18,000 | 27,000 |
| Financing expense, accretion and interest on loans payable | 6 | 66,675 | 162,091 |
| Investor relations and promotion | | 747,205 | 314,511 |
| Professional fees | | 68,360 | 72,189 |
| Professional fees – hostile takeover | 7 | 619,758 | - |
| Share-based payment | 7,8 | 309,664 | 239,912 |
| | | (2,630,397) | (1,588,941) |
| Interest income | | - | 1,398 |
| Recognition of flow-through premium liability | 7 | 164,937 | 72,685 |
| | | 164,937 | 74,083 |
| Loss and comprehensive loss for the year | | (2,465,460) | (1,514,858) |
| Basic and diluted loss per common share | | (0.03) | (0.02) |
| Weighted average number of common shares outstanding | | 94,492,858 | 62,008,165 |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| (in Canadian dollars) | Shares # | Share capital \$ | Share subscriptions receivable \$ | Share subscriptions received in advance \$ | Treasury shares \$ | Reserves \$ | Royalty reserve \$ | Deficit \$ | Total \$ |
|--|--------------------|------------------------|--|--|--------------------------|------------------|--------------------------|--------------------|------------------|
| Balance, December 31, 2016 | 57,437,795 | 8,753,812 | - | - | (245,000) | 914,553 | 210,700 | (3,662,649) | 5,971,416 |
| Issued for private placements (Note 7) | 14,972,501 | 1,633,917 | (100,000) | 96,920 | - | - | - | - | 1,630,837 |
| Share issuance costs (Note 7) | - | (99,100) | - | - | - | - | - | - | (99,100) |
| Finders' warrants (Note 7) | - | (33,210) | - | - | - | 33,210 | - | - | - |
| Flow-through premium liability (Note 7) | - | (136,667) | - | - | - | - | - | - | (136,667) |
| Issued for mineral properties (Note 4,7) | 360,000 | 37,400 | - | - | - | - | - | - | 37,400 |
| Issued to lender (Note 7) | 333,333 | 46,667 | - | - | - | 105,387 | - | - | 152,054 |
| Share-based payments | - | - | - | - | - | 239,910 | - | - | 239,910 |
| Reserves transferred on expired options (Note 7) | - | - | - | - | - | (70,118) | - | 70,118 | - |
| Loss for the year | - | - | - | - | - | - | - | (1,514,858) | (1,514,858) |
| Balance, December 31, 2017 | 73,103,629 | 10,202,819 | (100,000) | 96,920 | (245,000) | 1,222,944 | 210,700 | (5,107,389) | 6,280,994 |
| Issued for private placements (Note 7) | 54,793,907 | 5,216,819 | - | (96,920) | - | 800,895 | - | - | 5,920,794 |
| Share issuance costs (Note 7) | - | (319,870) | - | - | - | - | - | - | (319,870) |
| Finders' shares (Note 7) | 2,641,271 | 237,714 | - | - | - | - | - | - | 237,714 |
| Finders' warrants (Note 7) | - | (132,341) | - | - | - | 132,341 | - | - | - |
| Flow-through premium liability (Note 7) | - | (229,693) | - | - | - | - | - | - | (229,693) |
| Issued for mineral properties (Note 4,7) | 915,000 | 82,700 | - | - | - | - | - | - | 82,700 |
| Sale of treasury shares | 1,500,000 | - | - | - | 245,000 | - | - | (125,000) | 120,000 |
| Return to treasury | (1,000,000) | (100,000) | 100,000 | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | 309,664 | - | - | 309,664 |
| Warrant expiry | - | 105,387 | - | - | - | (105,387) | - | - | - |
| Reserves transferred on expired options (Note 7) | - | - | - | - | - | (81,556) | - | 81,556 | - |
| Loss for the year | - | - | - | - | - | - | - | (2,465,460) | (2,465,460) |
| Balance, December 31, 2018 | 131,953,807 | 15,063,535 | - | - | - | 2,278,901 | 210,700 | (7,616,293) | 9,936,843 |

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

| For the years ended December 31 | 2018 | 2017 |
|---|--------------------|-------------|
| (in Canadian dollars) | \$ | \$ |
| Cash flows from operating activities | | |
| Loss for the year | (2,465,460) | (1,514,858) |
| Items not involving cash: | | |
| Share-based payment | 309,664 | 239,912 |
| Financing expense and interest accrued on loan | 66,675 | 162,091 |
| Flow-through premium recovery | (164,937) | (72,685) |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables | (5,164) | 23,088 |
| (Increase) decrease in prepaid expenses | (611) | (31,741) |
| Increase (decrease) in accounts payable and accrued liabilities | (1,604) | (104,878) |
| Net cash provided by (used in) operating activities | (2,261,437) | (1,299,071) |
| Cash flows from investing activities | | |
| Exploration and evaluation expenditures | (1,198,593) | (960,436) |
| Recoveries and grants | 10,053 | 164,377 |
| Net cash provided by (used in) investing activities | (1,188,540) | (796,059) |
| Cash flows from financing activities | | |
| Proceeds from private placements | 5,920,794 | 1,533,917 |
| Share subscriptions received in advance | - | 96,920 |
| Share issue costs | (82,156) | (99,100) |
| Sale of treasury shares | 120,000 | - |
| Proceeds from loan | - | 500,000 |
| Repayment of loan | (500,000) | (100,000) |
| Loan issue costs | - | (30,000) |
| Loan interest paid | (36,712) | - |
| Net cash provided by (used in) financing activities | 5,421,926 | 1,901,737 |
| Change in cash during the year | 1,971,949 | (193,393) |
| Cash, beginning of the year | 387,117 | 580,510 |
| Cash, end of the year | 2,359,066 | 387,117 |
| Supplemental disclosure | | |
| Cash paid for interest | 36,712 | 30,438 |
| Supplemental disclosure of non-cash financial and investing activities | | |
| Fair value of broker warrants and units | 370,055 | 33,210 |
| Expiry of stock options | 81,556 | 70,118 |
| Expiry of warrants | 105,387 | - |
| Exploration and evaluation assets included in accounts payable | 61,693 | 61,693 |
| Flow-through share premium | 229,693 | 136,667 |
| Shares issued for property | 82,700 | 37,400 |
| Shares issued for subscriptions received in advance | 96,920 | - |
| Fair value of warrants issued to lender | - | 105,387 |
| Fair value of common shares issued to lender | - | 46,667 |
| Loan interest accrued | - | 27,397 |
| Share subscriptions receivable | - | (100,000) |

The accompanying notes are an integral part of these financial statements.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Maritime Resources Corp. (the “Company” or “Maritime”) was incorporated under the Business Corporations Act (British Columbia) on May 14, 2007. Maritime is an exploration stage company focused on re-starting the past producing Hammerdown Gold Mine located near the Baie Verte mining district in Newfoundland and Labrador, Canada as well as exploration on its other properties in the region.

The Company’s registered and records office is 1750 - 1185 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4E6. The Company also has an office in Toronto at 1900 – 110 Yonge Street, Toronto, ON, Canada, M5C 1T4. The shares of the Company are traded on the TSX Venture Exchange (“TSX-V”) under the symbol MAE.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due, although it has been successful in raising financing in the past, there is no assurance it will be able to do so in the future. The Company estimates that it has sufficient working capital to continue as a going concern beyond one year.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared using the historical cost basis, except for financial instruments which are stated at fair value and have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified. The accounting policies have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on April 26, 2019.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in the financial statements are as follows:

Economic recoverability and profitability of future economic benefits of exploration and evaluation assets – Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

Royalty reserve - Royalty reserve includes proceeds received from royalty units, repayable from future production. As future production is not determinable, the royalty units have been classified as capital in nature.

The most significant accounts that require estimates as the basis for determining the stated amounts include the following:

Valuation of share-based payments, broker compensation and finders' warrants – The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

Income taxes – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar.

(b) Segmented information

The Company has one operating segment, mineral exploration and evaluation, and operates in one geographical segment, being Canada.

(c) Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct



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NOTES TO THE FINANCIAL STATEMENTS

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expenditures include such costs as materials used, surveying costs, geology, geophysics and drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

Upon completion of a feasibility study and when commercial viability is demonstrated and an impairment test is performed, capitalized exploration and evaluation assets are transferred to and classified as mineral property development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. Accordingly, E&E costs, in excess of estimated recoveries, are written off to profit or loss.

Impairment

The Company assesses E&E assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. A cash-generating unit is the smallest identifiable group of E&E assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Title to mineral properties

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

(d) Provision for environmental rehabilitation

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional



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expenses and restrictions. If the restrictions adversely affect the scope of exploration and evaluation on the resource properties, the potential for production on the properties may be diminished or negated.

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any significant environmental rehabilitation provision.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

(f) Financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.



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The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairment recognized in profit and loss. Cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, and loans are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

As at December 31, 2018, the Company does not have any derivative financial liabilities.

(g) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period during which the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services



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cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(i) Flow-through shares, private placement units, royalty units and treasury shares

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the “flow-through share premium”) as follows:

- Share capital – the market value of the share
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature based on the residual value method.
- Warrants – recorded as reserves based on the residual value method.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed and the flow-through share premium is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to the flow-through tax premium, if any and thereafter to warrants.

Royalty units are recorded as reserves based on their fair value (amounts received).

Treasury shares (repurchased shares) are valued at the cost paid to repurchase until sold. As they are no longer considered outstanding, they are excluded from the weighted average number of shares outstanding in calculating the loss per share.

(j) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants as they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

(k) New accounting standards

The adoption of the following IFRS standards and amendments to existing standards effective January 1, 2018 did not have an effect on the Company's financial statements:

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 7, "Financial Instruments: Disclosure" is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.

Accounting Standards Issued but not yet in effect

- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company does not expect this standard to have a material impact on its financial statements.

4. EXPLORATION AND EVALUATION ASSETS

Green Bay

Maritime Resources owns 100% of the Green Bay property, located in Newfoundland and Labrador, Canada, which hosts the past producing Hammerdown gold mine, as well as the Orion deposit and the Lochinvar deposits. The property is subject to a 2% net smelter return ("NSR") royalty on future production from the property with the exception of production from the Orion deposit.

On May 16, 2018, the Company entered into a purchase agreement with Inomin Mines to acquire certain mineral claims that extend the Hammerdown, Green Bay property. Under the terms of the agreement Maritime will earn 100% interest in the Inomin property over a 3-year period by spending \$600,000 in exploration, making cash payments totaling \$300,000 and issuing 2,000,000 shares of Maritime in accordance with the following schedule:

| | Cash \$ | Common shares # | Minimum required exploration expenditure \$ |
|--------------------|----------------|--------------------|---|
| Upon approval | 25,000 (paid) | 500,000 (issued) | - |
| September 17, 2019 | 50,000 | 500,000 | 75,000 |
| September 17, 2020 | 100,000 | 500,000 | 150,000 |
| September 17, 2021 | 125,000 | 500,000 | 375,000 |
| | 300,000 | 2,000,000 | 600,000 |



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

The project is subject to a 1.0 % NSR of which 100% can be purchased for \$500,000. The project also has an underlying NSR of 2.5% of which 1.5% can be purchased for \$1,000,000.

Whisker Valley

On February 27, 2017, the Company entered into an agreement to acquire a 100% interest in the Whisker Valley property in the Baie Verte mining district of Newfoundland and Labrador, Canada, under the following terms:

| | Cash \$ | Common shares # | Minimum required exploration expenditure \$ |
|-------------------------------|----------------|--------------------|---|
| Upon approval | 25,000 (paid) | 100,000 (issued) | - |
| March 22, 2018 | 20,000 (paid) | 150,000 (issued) | 100,000 (incurred) |
| March 22, 2019 ⁽¹⁾ | 30,000 | 200,000 | 250,000 |
| March 22, 2020 | 50,000 | 250,000 | 300,000 |
| March 22, 2021 | 75,000 | 300,000 | 500,000 |
| March 22, 2022 | 100,000 | 500,000 | 500,000 |
| | 300,000 | 1,500,000 | 1,650,000 |

⁽¹⁾ Subsequent to the end of the period, on or before March 22, 2019, the Company made the second anniversary payment in cash and shares as per the Whisker Valley Option agreement.

The Company is required to make an additional payment to the optionors of \$50,000 on each of the first, second and third anniversary upon full exercise of its option having issued all of the payments and shares and incurred all of the expenditures.

The property is subject to a 2.5 % NSR, of which 1% can be purchased for \$1,000,000 on or before the end of the second anniversary of commencement of commercial production.

On November 16, 2017, the Company further expanded the Whisker Valley project by entering into an agreement to acquire 100% interest in the El Strato property in Newfoundland and Labrador, Canada (contiguous to Whisker Valley), under the following terms:

| | Cash \$ | Common shares # |
|-------------------|---------------|--------------------|
| Upon approval | 5,000 (paid) | 250,000 (issued) |
| November 23, 2018 | 10,000 (paid) | 250,000 (issued) |
| November 23, 2019 | 25,000 | 250,000 |
| | 40,000 | 750,000 |

On December 1, 2017, the Company also added to the Whisker Valley project by entering into an agreement to acquire 100% interest in the Strugglers Pond property in Newfoundland and Labrador, Canada (contiguous to Whisker Valley), under the following terms:

| | Cash \$ | Common shares # | Minimum required exploration expenditure \$ |
|-------------------|---------------|--------------------|---|
| Upon approval | 2,000 (paid) | 10,000 (issued) | 5,000 (incurred) |
| December 27, 2018 | 3,000 (paid) | 15,000 (issued) | 25,000 (incurred) |
| December 27, 2019 | 10,000 | 25,000 | 50,000 |
| December 27, 2020 | 15,000 | 50,000 | 120,000 |
| | 30,000 | 100,000 | 200,000 |



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

Both the El Strato and Strugglers Pond properties are subject to separate 2% NSR royalties, of which 1% can be purchased for \$1,000,000 on or before the end of the second anniversary of commercial production.

Expenditures incurred on the Company's 100% owned Green Bay Property and Whisker Valley Property, follow:

| | Green Bay \$ | Whisker Valley \$ | Total \$ |
|-----------------------------------|------------------|----------------------|------------------|
| Balance, December 31, 2016 | 5,826,365 | - | 5,826,365 |
| Acquisition costs - cash | - | 32,000 | 32,000 |
| Acquisition costs - shares | - | 37,400 | 37,400 |
| Exploration expenses: | | | |
| Geology and engineering | 461,941 | 145,068 | 607,009 |
| Geochemistry | 10,776 | - | 10,776 |
| Property | 65,325 | 4,280 | 69,605 |
| Geophysics | 42,098 | - | 42,098 |
| Other | 8,728 | - | 8,728 |
| | 588,868 | 218,748 | 807,616 |
| Less: Recoveries and grants | (164,377) | - | (164,377) |
| Net additions | 424,491 | 218,748 | 643,239 |
| Balance, December 31, 2017 | 6,250,856 | 218,748 | 6,469,604 |
| Acquisition costs - cash | 25,000 | 48,000 | 73,000 |
| Acquisition costs - shares | 45,000 | 37,700 | 82,700 |
| Exploration expenses: | | | |
| Drilling | 289,772 | 77,842 | 367,614 |
| Geology and engineering | 473,476 | 146,442 | 619,918 |
| Property | 55,991 | 585 | 56,576 |
| Geophysics | 11,208 | 47,500 | 58,708 |
| Other | 13,266 | 9,611 | 22,877 |
| | 913,713 | 367,680 | 1,281,393 |
| Less: Recoveries and grants | (10,153) | - | (10,153) |
| Net additions | 903,560 | 367,680 | 1,271,240 |
| Balance, December 31, 2018 | 7,154,416 | 586,428 | 7,740,844 |

During the year ended December 31, 2018, the Company received \$10,153 (2017 – \$164,377) pursuant to an application made with the Newfoundland and Labrador government in respect of the Newfoundland and Labrador Mineral Incentive Junior Exploration Assistance Program ("JEAP") grant for exploration conducted during fiscal 2017 and 2016, respectively.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2018 \$ | December 31, 2017 \$ |
|---------------------------------|-------------------------|-------------------------|
| Accounts payable | 83,530 | 71,460 |
| Accrued liabilities | 32,500 | 30,000 |
| Interest payable | - | 27,397 |
| Due to related parties (Note 8) | 5,411 | 21,585 |
| | 121,441 | 150,442 |



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

6. LOANS

2014 Loan

Pursuant to a loan of \$100,000 that bore interest at 8% per annum, the Company had accrued interest of \$30,438 owing to the lender. On December 31, 2017, \$100,000, and interest of \$30,438 was repaid.

2017 Loan

On April 25, 2017, the Company entered into a loan arrangement (“Bridge Financing Agreement”) pursuant to which it received \$500,000. The Bridge Financing Agreement, which was approved by the TSX-V on April 26, 2017, provides for a maturity date of one year (the “Maturity Date”), bears interest of 8% per annum and is repayable upon earliest of: the maturity date, raising \$2,000,000 or more in equity or debt financing, or committing an event of default. In connection with the Bridge Financing Agreement, the lender received a bonus of 333,333 shares in the capital of the Company valued at \$46,667, non-transferable warrants valued at \$105,387 allowing for the purchase of up to, in the aggregate, 1,666,666 additional common shares in the capital of the Company at \$0.15 per share until April 26, 2018 and cash finders fees of \$30,000. The effective interest rate, including bonus shares and warrants was 44%. During the year ended December 31, 2018, the Company recorded accrued interest of \$9,315 (2017 – \$27,397). On March 26, 2018, the loan of \$500,000 and related interest of \$36,712 was repaid.

Interest accrued on the loans was included in accounts payable.

| | 2017 Loan \$ | 2014 Loan \$ |
|-----------------------------------|-----------------|------------------------------|
| Balance, December 31, 2016 | - | 100,000⁽¹⁾ |
| Additions | 500,000 | - |
| Bonus shares | (46,667) | - |
| Warrants | (105,387) | - |
| Finders fees | (30,000) | - |
| Loan (net of transaction costs) | 317,946 | 100,000 |
| Accretion | 124,694 | - |
| Repayment | - | (100,000) |
| Balance, December 31, 2017 | 442,640 | - |
| Accretion | 57,360 | - |
| Repayment | (500,000) | - |
| Balance, December 31, 2018 | - | - |

⁽¹⁾ \$100,000 provided by a related party of the Company.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

During the year ended December 31, 2018

Private Placements

- Pursuant to a private placement on November 7, 2018, the Company issued 25,460,900 non flow-through units (“November 2018 NFT Units”) at \$0.11 per unit and 5,402,000 flow-through units (“November 2018 FT Units”) at \$0.13 per unit, for gross proceeds of \$3,502,959.

Each FT Unit consisted of one flow-through common share of the Company and one-half of one common share purchase warrant (the “November 2018 FT Warrant”). Each whole November 2018 FT Warrant entitles the holder to purchase one common share of the Company (the “November 2018 FT Warrant Share”) at a price of \$0.15 per November 2018 FT Warrant Share expiring November 7, 2020. Each November 2018 NFT Unit consisted of one non flow-through common share of the Company and one-half of one common share purchase warrant (the “November 2018 NFT Warrant”). Each whole November 2018 NFT Warrant will entitle the holder thereof to purchase one common share of the Company (the “November 2018 NFT Warrant Share”) at a price of \$0.15 per November 2018 NFT Warrant Share for expiring November 7, 2020.

The flow-through shares were issued at a premium of \$108,040. The eligible flow-through expenditures will be incurred in 2019.

In connection with this private placement, the Company issued 2,152,791 finders’ units (“November 2018 Finders’ Units”), valued at \$193,751. Each November 2018 Finders’ Unit is comprised of one common share and one-half (1/2) of one non-transferable warrant (“November 2018 Finders’ Unit Warrant”). Each whole November 2018 Finders’ Unit Warrant is exercisable to purchase one common share of the Company at a price of \$0.15 per common share for a period of 24 months expiring November 7, 2020.

Also in connection with this private placement, finders’ fees of 2,152,791 November 2018 NFT Finders’ Warrants were issued. Each November 2018 NFT Finders’ Warrant entitles the holder to purchase one common share of the Company at a price of \$0.11 per November 2018 NFT Finders’ Warrant Share for a period of 24 months expiring November 7, 2020.

The November 2018 Finders’ Unit Warrants and the November 2018 NFT Finders’ Warrants were valued at \$22,344 and \$60,365, respectively, using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.90%, expected life of 1.5 years, expected volatility of 72.74% and dividend yield of 0% and recorded to share issuance costs.

- Pursuant to a private placement on July 6, 2018, the Company issued 7,600,000 non flow-through units (“July 2018 NFT Units”) at \$0.10 per unit and 5,166,667 flow-through units (“July 2018 FT Units”) at \$0.12 per unit, for gross proceeds of \$1,380,000.

Each July 2018 FT Unit consisted of one flow-through common share of the Company and one-half of one common share purchase warrant (the “July 2018 FT Warrant”). Each whole July 2018 FT Warrant entitles the holder to



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

purchase one common share of the Company (the “July 2018 FT Warrant Share”) at a price of \$0.20 per July 2018 FT Warrant Share expiring January 6, 2020.

The flow-through shares were issued at a premium of \$103,333. The Company incurred eligible exploration expenses during 2018 and accordingly, \$82,635 was recognized in the statement of loss and comprehensive loss during the year ended December 31, 2018.

Each July 2018 NFT Unit consisted of one non flow-through common share of the Company and one-half of one common share purchase warrant (the “July 2018 NFT Warrant”). Each whole July 2018 NFT Warrant entitles the holder thereof to purchase one common share of the Company (the “July 2018 NFT Warrant Share”) at a price of \$0.20 per July 2018 NFT Warrant Share for expiring January 6, 2020.

In connection with this private placement, finders' fees of \$30,000 were paid and 480,000 July 2018 NFT Finders' Warrants were issued. Each July 2018 NFT Finders' Warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per share until January 6, 2020. The July 2018 NFT Finders' Warrants were valued at \$17,319 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.90%, expected life of 1.5 years, expected volatility of 98.47% and dividend yield of 0% and recorded to share issuance costs.

- On December 15, 2017, the Company announced a non-brokered private placement of up to \$2,000,000 through the issuance of a combination of non flow-through units (“December 2017 NFT Units”) at \$0.10 per Unit and flow-through units (“December 2017 FT Units”) at a price of \$0.12 per December 2017 FT Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (“December 2017 Warrant”). Each whole December 2017 Warrant entitles the holder to acquire one common share of the Company at a price of \$0.20 per common share for 18 months following the closing date of the private placement (the “December 2017 NFT Warrant Share”).

Each December 2017 NFT Unit consisted of one non flow-through common share of the Company and one-half of one common share purchase warrant (the “December 2017 NFT Warrant”). Each whole December 2017 NFT Warrant entitles the holder thereof to purchase one common share of the Company (the “December 2017 NFT Warrant Share”) at a price of \$0.20 per December 2017 NFT Warrant Share for 18 months following the closing date of the private placement.

Each December 2017 FT Unit consisted of one flow-through common share of the Company and one-half of one common share purchase warrant (the “December 2017 FT Warrant”). Each whole December 2017 FT Warrant entitles the holder to purchase one common share of the Company (the “December 2017 FT Warrant Share”) at a price of \$0.20 per December 2017 FT Warrant Share for 18 months following the closing date of the private placement.



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NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

The December 2017 private placement closed in 4 tranches and raised gross proceeds of \$608,000 in the first tranche during the year ended December 31, 2017 (see year ended December 31, 2017 disclosure below) and \$1,134,754 in 3 tranches in each of the January, February and March months of 2018 as follows:

| Closing Date | January 11 | February 15 | March 21 | Total |
|-------------------------------|-------------------|--------------------|----------------------|--------------------|
| Gross Proceeds | \$326,920 | \$277,834 | \$530,000 | \$1,134,754 |
| FT Shares Issued | 666,000 | 250,000 | - | 916,000 |
| NFT Shares Issued | 2,470,000 | 2,478,340 | 5,300,000 | 10,248,340 |
| Warrants Issued | 1,568,000 | 1,364,170 | 2,650,000 | 5,582,170 |
| Warrant Exercise Price | \$0.20 | \$0.20 | \$0.20 | |
| Warrant Expiry Date | July 11 2019 | August 15 2019 | September 21 2019 | |
| Finders' Fees | | | | |
| Cash | - | \$8,400 | \$15,000 | \$23,400 |
| NFT Shares Issued | - | 488,480 | - | 488,480 |
| Warrants Issued | - | 824,886 | 350,000 | 1,174,886 |
| Exercise Price | - | \$0.20 | \$0.20 | |
| Expiry Date | - | August 15 2019 | September 21 2019 | |

The flow-through shares, issued in the January 11 and February 15 tranches, were issued at premiums of \$13,320 and \$5,000, respectively, and were fully recognized into income during the year ended December 31, 2018.

The December 2017 NFT Unit shares issued in respect of finders' fees were valued at \$43,963. The December 2017 NFT Warrants issued in respect of finders' fees were valued at \$20,086 and \$12,227, respectively, using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.80-1.85%, expected life of 1.5 years, expected volatility of 102% and dividend yield of 0% and recorded to share issuance costs.

Treasury shares

On June 26, 2018, the Company received cash proceeds of \$120,000 for the sale of 1,500,000 treasury shares at \$0.08 with original cost of \$245,000, which resulted in a reversal of \$125,000 from treasury shares to deficit.

Exploration and evaluation assets (Note4)

- The Company issued 150,000 common shares valued at \$16,500 in connection with the Whisker Valley property.
- The Company issued 500,000 common shares valued at \$45,000 in connection with the Inomin property.
- The Company issued 250,000 common shares, valued at \$20,000, in connection with the El Strato property.
- The Company issued 15,000 common shares, valued at \$1,200, in connection with the Struggler Pond property.

During the year ended December 31, 2017

Private Placements

- On December 22, 2017, pursuant to a December 2017 private placement discussed above, the Company issued 3,125,000 December 2017 FT Units at \$0.12 per unit and 2,330,000 December 2017 NFT Units at \$0.10 per unit for proceeds of \$608,000.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

Each whole December 2017 FT Warrant and December 2017 NFT Warrant issued in this first tranche expire June 22, 2019.

The flow-through shares related to this tranche were issued at a premium of \$62,500. During the year ended December 31, 2018, the Company incurred the required eligible flow-through expenditures and recorded \$62,500 (2017 – nil) in the statement of loss and comprehensive loss.

In connection with this tranche of the December 2017 private placement, finders' fees of \$26,250 were paid and 218,750 December 2017 NFT Finders' Warrants were issued and expire on June 22, 2019. The warrants were valued at \$6,459 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.78%, expected life of 1.5 years, expected volatility of 113.71% and dividend yield of 0% and recorded to share issuance costs.

- As at December 31, 2017, the Company recorded \$96,920 for subscription funds received in advance relating to a private placement completed during the year ended December 31, 2018.
- Pursuant to a private placement on September 25, 2017, the Company issued 8,034,167 non flow-through units ("September 2017 NFT Units") at \$0.10 per unit, 1,483,334 flow-through units ("September 2017 FT Units") at \$0.15 per unit, for gross proceeds of \$1,025,917 of which \$100,000 is receivable at year end. During the year ended December 31, the Company returned 1,000,000 common shares to treasury as payment was not received. The warrants issued as part of the September 2017 NFT Units and September 2017 FT Units, expired unexercised subsequent to the end of the year on March 22, 2019.

The flow-through shares were issued at a premium of \$74,167 to that of the non flow-through shares. During the year ended December 31, 2018, the Company incurred the required eligible flow-through expenditures and recorded \$1,482 (2017 – \$72,685) in the statement of loss and comprehensive loss.

In connection with this private placement, finders' fees of \$72,850 were paid and 500,333 non flow-through Finders' Warrants were issued. The warrants were valued at \$26,751 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.58%, expected life of 1.5 years, expected volatility of 113.03% and dividend yield of 0% and recorded to share issuance costs. These finders' warrants expired unexercised subsequent to the end of the year on March 22, 2019.

| <i>Flow-through premium liability</i> | \$ |
|--|----------------|
| Balance – December 31, 2016 | - |
| Flow-through premium liability additions | 136,667 |
| Settlement of flow-through premium to income | (72,685) |
| Balance – December 31, 2017 | 63,982 |
| Flow-through premium liability additions | 229,693 |
| Settlement of flow-through premium to income | (164,937) |
| Balance – December 31, 2018 | 128,738 |

Loan

- The Company issued 333,333 common shares, valued at \$46,667, in connection with the Bridge Financing Agreement (Note 6).

Exploration and evaluation assets (Note 4)

- The Company issued 100,000 common shares, valued at \$14,000, in connection with the Whisker Valley property.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

- The Company issued 250,000 common shares, valued at \$22,500, in connection with the El Strato property.
- The Company issued 10,000 common shares, valued at \$900, in connection with the Struggler Pond property.

Hostile takeover bid

On April 13, 2018, Anaconda Mining Inc. (“Anaconda”) made a formal unsolicited offer to the Company and its shareholders, to acquire all of the issued and outstanding shares of the Company. The offer contemplated the exchange of one common share of the Company for consideration of 0.39 of a common share in Anaconda. The Company engaged legal counsel, financial advisors and strategic advisors to evaluate Anaconda’s offer and incurred expenditures of \$619,758 as of December 31, 2018, relating to this offer. On July 12, 2018, Anaconda withdrew their formal unsolicited offer to the Company and its shareholders.

Royalty units

During fiscal 2016 the Company issued Royalty Units with a price of \$0.01 per Royalty Unit, and, subject to written consent of the Company, may be assigned or transferred in their entirety only. The proceeds of \$210,700 received in relation to the Royalty Units has been recorded as a Royalty Reserve within Equity.

Royalty Units will return 100% of the original investment made by the purchasers and is to be paid out of production from the Company’s Green Bay project (“Project”). The likelihood of the Project going into production cannot be determined at this time.

Total royalties payable from the Royalty Units (“Royalty Payment”) are capped at \$3,440,500 being the price for which the Equity Units (comprised of common shares and common share warrants) and Royalty Units were purchased. Royalty Payments will be made annually beginning on the first anniversary of the date of commencement of commercial production for the Project. Royalty Payments will be funded solely from 10% of annual net cash flow from the Project, with net cash flow representing net production revenues realized from the Project after deduction of all Project operating and debt servicing costs. At the option of the Company, Royalty Payments will be paid either in cash or in gold.

Stock options

The Company has a “rolling” stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options, subject to receipt of annual shareholder approval. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX-V, and the options may be granted for a maximum term of ten years from the date of grant. The Company records the fair value of all options granted using the Black-Scholes model as share-based payment expense over the vesting period of the options. Vesting terms are determined by the Board of Directors.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

A summary of the Company's stock options as at and during the years ended December 31, 2018 and 2017 follows:

| | December 31, 2018 | | December 31, 2017 | |
|-----------------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | Options Outstanding # | Weighted Average Exercise Price \$ | Options Outstanding # | Weighted Average Exercise Price \$ |
| Balance, beginning of year | 8,205,000 | 0.17 | 5,505,000 | 0.21 |
| Granted | 4,805,000 | 0.11 | 3,200,000 | 0.10 |
| Exercised | - | - | - | - |
| Expired/cancelled | (525,000) | 0.19 | (500,000) | 0.19 |
| Balance, end of year | 12,485,000 | 0.15 | 8,205,000 | 0.17 |

During the year ended December 31, 2018, the Company granted 4,805,000 (2017 – 3,200,000) stock options to consultants, officers and employees of the Company and vested immediately. The fair value of the stock options granted as determined by the Black-Scholes pricing model was \$309,664 (2017 – \$239,912) or \$0.06 (2017 – \$0.07) per option. Share based payments recognized during the year was \$309,664 (2017 – \$239,912) and \$81,556 (2017 – \$70,118) of share-based payments expired during the year resulting in a reversal from reserves to deficit.

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's shares for a length of time to the expected life of each option. The weighted-average assumptions used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2018 were risk-free interest rate of 2.00% (2017 – 1.57%); expected life of options of 5 (2017 – 5) and annualized volatility of 90.02% (2017 – 114%).

As at December 31, 2018, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| Options Outstanding # | Options Exercisable # | Exercise Price \$ | Weighted Average Contractual Life years | Expiry |
|-----------------------|-----------------------|-------------------|---|-----------|
| 395,000 | 395,000 | 0.28 | 0.41 | 29-May-19 |
| 100,000 | 100,000 | 0.15 | 0.79 | 15-Oct-19 |
| 1,685,000 | 1,685,000 | 0.15 | 1.87 | 13-Nov-20 |
| 2,300,000 | 2,300,000 | 0.25 | 2.58 | 29-Jul-21 |
| 200,000 | 200,000 | 0.15 | 3.32 | 26-Apr-22 |
| 500,000 | 500,000 | 0.10 | 3.93 | 04-Dec-22 |
| 2,500,000 | 2,500,000 | 0.10 | 3.96 | 15-Dec-22 |
| 4,805,000 | 4,805,000 | 0.11 | 4.93 | 6-Dec-23 |
| 12,485,000 | 12,485,000 | | 3.65 | |



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

Warrants

As at December 31, 2018, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|--------------------|
| 747,500 | \$0.20 | February 12, 2019 |
| 4,759,084 | \$0.20 | March 22, 2019 |
| 3,017,875 | \$0.20 | April 22, 2019 |
| 2,946,250 | \$0.20 | June 22, 2019 |
| 1,568,000 | \$0.20 | July 11, 2019 |
| 9,440,698 | \$0.20 | July 19, 2019 |
| 2,189,056 | \$0.20 | August 15, 2019 |
| 3,000,000 | \$0.20 | September 21, 2019 |
| 6,863,333 | \$0.20 | January 6, 2020 |
| 16,507,845 | \$0.15 | November 7, 2020 |
| 2,152,791 | \$0.11 | November 7, 2020 |
| 53,192,432 | | |

Share purchase warrant transactions were as follows:

| | December 31, 2018 | | December 31, 2017 | |
|-----------------------------------|------------------------|------------------------------------|------------------------|------------------------------------|
| | Warrants Outstanding # | Weighted Average Exercise Price \$ | Warrants Outstanding # | Weighted Average Exercise Price \$ |
| Balance, beginning of year | 23,078,073 | 0.20 | 13,206,073 | 0.20 |
| Granted | 32,281,025 | 0.17 | 9,872,000 | 0.20 |
| Expired/cancelled | (2,166,666) | 0.15 | - | - |
| Balance, end of year | 53,192,432 | 0.18 | 23,078,073 | 0.20 |

During the year ended December 31, 2018, the Company in connection with the private placements, issued warrants allowing for the purchase of up to, in the aggregate, 32,281,025 (2017 – 9,872,000) common shares, including warrants to finders allowing for the purchase of up to, in the aggregate, 4,726,572 (2017 – 719,083) common shares, which finders' warrants were valued at \$132,341 (2017 - \$33,210).

On April 26, 2018, 1,666,666 warrants expired unexercised resulting in a reversal of \$105,387 to share capital.

Subsequent to the year ended December 31, 2018, 8,524,459 warrants expired unexercised.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

(a) Services

Effective July 1, 2014, the Company entered into arrangement with an administration and exploration services contractor (“AESC”) in which a director is a shareholder, pursuant to which it receives office, administrative and exploration services. For the years ended December 31, the Company was charged the following:

| | 2018 | 2017 |
|-----------------------|----------------|---------|
| | \$ | \$ |
| Rent | 99,438 | 129,444 |
| Office administration | 19,489 | 37,266 |
| | 118,927 | 166,710 |

At December 31, 2018, the Company has included in prepaids \$10,384 (2017 – \$15,358) to AESC.

(b) Loans

In respect of the 2014 Loan (Note 6), on December 31, 2017, \$100,000 and interest of \$30,438 was repaid.

(c) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including stock-based compensation, of key management personnel were as follows for the years ended December 31:

| | 2018 | 2017 |
|--------------------------------------|------------------|---------|
| | \$ | \$ |
| Consulting | 373,000 | 368,000 |
| Contract wages ⁽¹⁾ | 78,000 | 35,000 |
| Directors’ fees | 18,000 | 27,000 |
| Geological consulting ⁽²⁾ | 292,404 | 274,900 |
| Share-based payments | 303,210 | 190,513 |
| | 1,064,624 | 895,413 |

⁽¹⁾ Included in Administration on the Statement of Loss and Comprehensive Loss

⁽²⁾ Included in Geology and Report Writing within Exploration and Evaluation Assets

At December 31, 2018, the Company advanced \$nil (2017 – \$20,750) to the CEO and a director of the Company and is included in prepaids at December 31, 2017.

At December 31, 2018, the Company owed \$nil (2017 – \$8,085) to an officer and former director of the Company.

At December 31, 2018, included in accounts payable and accrued liabilities is \$5,411 (2017 – \$13,500), owing to a director, CEO and Director and the COO of the Company.

Subsequent to the year ended December 31, 2018, severances were paid to certain related parties of the Company (see Note 12).



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NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

9. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loss for the year | (2,465,460) | (1,514,858) |
| Expected income tax (recovery) | (666,000) | (394,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 47,000 | (56,000) |
| Permanent differences | 50,000 | - |
| Impact of flow-through shares | 267,000 | 83,000 |
| Share issue costs | (22,000) | (26,000) |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | 39,000 | (1,000) |
| Change in unrecognized deductible temporary | 285,000 | 394,000 |
| Total income tax expense (recovery) | - | - |

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

| | 2018 | 2017 |
|---|--------------------|-------------|
| | \$ | \$ |
| Deferred tax assets (liabilities) | | |
| Exploration and evaluation assets | (633,000) | (307,000) |
| Share issue costs | 68,000 | 76,000 |
| Debt with accretion | - | 15,000 |
| Non-capital losses available for future periods | 1,950,000 | 1,316,000 |
| | 1,385,000 | 1,100,000 |
| Unrecognized deferred tax assets | (1,385,000) | (1,100,000) |
| Net deferred tax assets | - | - |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position are as follows:

| | 2018 | Expiry Date | 2017 | Expiry Date |
|---|-------------|----------------|-------------|----------------|
| | \$ | Range | \$ | Range |
| Temporary Differences | | | | |
| Exploration and evaluation assets | (2,381,000) | No expiry date | (1,240,000) | No expiry date |
| Investment tax credit | 14,000 | 2019 to 2033 | 38,000 | 2018 to 2033 |
| Share issue costs | 253,000 | 2035 to 2043 | 381,000 | 2035 to 2042 |
| Debt with accretion | - | No expiry date | 57,000 | No expiry date |
| Non-capital losses available for future periods | 7,223,000 | 2028 to 2037 | 4,874,000 | 2028 to 2037 |

Tax attributes are subject to review, and potential adjustment, by tax authorities. As at December 31, 2018, the Company is obligated to incur approximately \$800,000 in flow-through expenditures pursuant to private placements of flow-through shares.



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Cash is measured at fair value based on Level 1 of the fair value hierarchy. The fair values of receivables and accounts payable and accrued liabilities approximate their book carrying values because of the short-term nature of these instruments.

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables. The maximum exposure to loss arising from receivables is equal to their carrying amounts. The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(d) Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and



MARITIME RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017 (expressed in Canadian dollars)

liabilities are denominated in Canadian dollars.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as equity, consisting of common shares, stock options and warrants.

The Company is dependent upon external financings to fund activities. In order to carry out any exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There were no changes in the Company's capital management strategy during the year ended December 31, 2018 compared to the previous year. The Company is not subject to externally imposed capital requirements.

12. SUBSEQUENT EVENTS

- (a) Subsequent to the end of the year, the Company closed a non-brokered private placement raising aggregate gross proceeds of \$6,092,500 through the issuance of a combination of units (the "Units") at a price of \$0.10 per Unit and flow-through units (the "FT Units") at a price of \$0.12 per FT Unit (the "Offering"). The Company issued a total of 56,896,662 Units and FT Units; 36,755,000 Units and 20,141,662 FT Units. Each Unit consists of one common share and one-half (1/2) of one transferable common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one common share of the Company at a price of \$0.15 per common share for a period of 24 months following the closing date of the Offering (the "NFT Warrants"). Each FT Unit consists of one common flow-through share and one half (1/2) of one transferable common share purchase warrant ("FT Warrant"). Each whole FT Warrant entitles the holder to acquire one non flow-through common share of the Company at a price of \$0.15 per common share for a period of 24 months following the closing date of the Offering (the "FT Warrants").

The Company has agreed to pay aggregate finders' and advisory fees of 7% in cash or units of the gross sales of Units and FT Units and issued 7% finders' warrants of the number of Units and FT Units sold by certain brokers in the Offering. The finders' and advisory fees amounted to an aggregate of \$412,909 and 3,863,294 finders' warrants, including \$156,532 and 1,563,273 finders' warrants to Dundee Goodman Merchant Partners, a division of Goodman & Company, Investment Counsel Inc. As an advisor, Sprott Capital Partners LP received \$156,532 and 1,563,273 finders' warrants, and for certain orders, received finders' fees in the aggregate of \$11,995, for services related to its engagement.

- (b) Subsequent to the end of the year, the Company announced that it had made management changes. Pursuant to the management changes, the Company paid severances totalling \$884,497 to the previous Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Corporate Secretary of the Company.